



# House of Representatives

General Assembly

**File No. 627**

January Session, 2009

Substitute House Bill No. 5824

*House of Representatives, April 15, 2009*

The Committee on Government Administration and Elections reported through REP. SPALLONE of the 36th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING THE PAYMENT OF PERSONAL SERVICE AND PURCHASE OF SERVICE CONTRACTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective from passage*) Notwithstanding any
- 2 provision of the general statutes, each personal service contract and
- 3 purchase of service contract entered into by the state, including, but
- 4 not limited to, personal service contracts and purchase of service
- 5 contracts for the provision of health and human services, shall contain
- 6 the following provisions: (1) A requirement that once any such
- 7 contract is issued by the state contracting agency, accepted by the
- 8 contractor and returned to such state contracting agency, such contract
- 9 shall be approved or rejected by such state contracting agency not later
- 10 than forty-five days after such contract is finalized after full review by
- 11 the state contracting agency and the Attorney General; and (2) a
- 12 requirement that the state contracting agency shall pay the contractor
- 13 any amounts due under such contract, for services rendered, not later
- 14 than forty-five days after such agency receives a written request for

- 15 such payment from such contractor.

This act shall take effect as follows and shall amend the following sections:
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Section 1	<i>from passage</i>	New section
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**GAE**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect
Various State Agencies	GF - See Below

Note: GF=General Fund

**Municipal Impact:** None

#### **Explanation**

This bill requires that state personal service and purchase of service contracts for the provision of health and human services be approved by the contracting agency within 45 days from the return of the contract from the provider.

The effect of this provision is not clear. During the contracting process, a contract may be returned to an agency numerous times prior to final approval. Contract language must also be reviewed by the Attorney General prior to final approval. Should this requirement be read to pertain to only the final, fully reviewed contract, no fiscal impact is anticipated. However, should this requirement be read to pertain to the version of a contract that a provider agrees to in principle, but which still must be reviewed by the Attorney General, a significant cost may result. Both the contracting agency and the Office of the Attorney General may require additional staff to review, make necessary adjustments, and approve such contracts in the required 45 day time frame.

The bill also requires the state contracting agency to pay the amounts due under the contract no later than 45 days after the agency receives a written request for payment from the contractor. This provision should have no fiscal impact during normal operating times; however, it is not clear whether this requirement would restrict the

executive branch's ability to implement fiscal rescissions during times of budgetary shortfall.

***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*Sources: 3/23/09 Public Hearing Testimony*

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**OLR Bill Analysis****sHB 5824*****AN ACT CONCERNING THE PAYMENT OF PERSONAL SERVICE  
AND PURCHASE OF SERVICE CONTRACTS.*****SUMMARY:**

This bill requires state personal service and purchase of service contracts to contain provisions setting deadlines for the state contracting agency to reject or award the contract and pay for the services. However, it is unclear whether the bill actually sets a deadline for contract approval.

The bill requires personal service and purchase of service contracts, including those with health and human services providers, to specify that the contracting agency will approve or reject the contract within 45 days after it is “finalized after full review” by the agency and the attorney general. Under the bill, a contract is finalized after full review by the agency and the attorney general after the contractor has accepted and returned it. The bill’s effect is unclear since a contract is generally considered finalized and executed (i.e., approved) when the attorney general reviews and approves it for legal sufficiency. It appears the 45-day deadline occurs after the contract is already approved.

The bill exempts state agency personal service and purchase of service contracts from the prompt payment laws. Under these laws, state agencies (1) must pay for services provided on the date specified in the contract or, if no date is specified, within 45 days of a properly completed claim or receipt of services, whichever is later; (2) do not have to promptly pay claims that are the subject of a good faith dispute that is timely noticed; and (3) must pay interest on payments that are not timely.

The bill instead requires personal service and purchase of service contracts to specify that the contracting agency will pay any amount due under the contract for services rendered within 45 days after the agency receives a written request for payment. It does not impose a penalty for failure to make timely payment. Apparently, the agency must pay the contract price regardless of the quality or timeliness of services provided.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Government Administration and Elections Committee

Joint Favorable Substitute

Yea    14    Nay   0    (03/27/2009)